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The Military Health System

A Joint Overview Statement

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Mr. Chairman, distinguished Members of the Subcommittee, it is our distinct honor to appear before your Subcommittee today to provide for you an overview of the Military Health System.

The Military Health System is a unique and extraordinary health system with just under 100 hospitals and over 500 clinics worldwide serving an eligible population of 8.2 million. We ensure the health of our forces and care for them when ill or injured anywhere around the globe. Further, we provide comprehensive health coverage to the families of our service members, our retirees and their families, and the surviving family members of those who have died in service to our country. Our attention to the health of our forces involves research, health promotion, and appropriate care whether deployed or at home stations. It demands timely, supportive, and quality care for family members; and it relies on fully trained and militarily prepared healthcare personnel. The support for deployed forces is inextricably linked to the operation of hospitals and clinics. We cannot provide Force Health Protection in wartime without a robust peacetime healthcare system.

Force Health Protection

The Department is deeply committed to protecting the health of all service members while at home and during deployments. Force Health Protection (FHP) is our unified strategy that protects service men and women from health and environmental hazards associated with military service through their continuum of service from accession, training and deployment(s), to separation or retirement, and beyond. The number and scope of current military operations, the variety of deployment environments and hazards, and our expectations of men and women in uniform all have increased as the Nation responds to changing global threats.

Force Health Protection reflects a commitment to:

- Promote and sustain wellness to ensure that we can deploy a fit and healthy military force
- Implement medical countermeasures to prevent casualties from occurring in the deployed environment
- Provide high quality casualty care.

The Department has many activities underway to improve monitoring of individual health status and the continual medical monitoring and recording of hazards that might affect the health of service members. Medical Surveillance has been in effect for recent deployments to Southwest Asia, as well as for deployments to Bosnia, Croatia, and Hungary. Included are pre- and post-deployment medical briefings and individual health assessments, extensive environmental hazard monitoring in the theater of operations, plus increased preventive and mental health resources in the theater.

We face a new era in our efforts to prevent casualties. In the battlefield of the

future, rogue nations, extremist groups, or terrorists could use weapons of mass destruction against our forces. To counter these threats, ongoing application of the latest technology for Chemical and Biological Warfare (CBW) detection, prevention, and immunization (pre-treatment) are now employed to assure the protection of our forces. The Department's Anthrax Vaccine Immunization Program is one example. The Department has identified anthrax as a known threat, a weapon at least 10 enemy countries are capable of using. Anthrax presents a clear and present danger to our service personnel and the anthrax vaccine now being administered to our service men and women is highly effective against this dangerous threat. On the advice of the Chairman of the Joint Chiefs of Staff, the Secretary of Defense directed implementation of the total force vaccination program. To date, over a million vaccinations have been given to nearly 400,000 service members.

The U.S. Armed Forces of the 21st Century will become the highly mobile, technologically advanced forces envisioned by the Chairman of the Joint Chiefs of Staff. Medical support units can be no less mobile, no less agile, no less advanced if they are to discharge their Force Health Protection responsibilities. We have several initiatives underway that will afford us greater flexibility and improved patient care in conflict and wartime scenarios. Computerized patient records, deployed preventive medicine resources, and combat stress control measures are just a few examples of these initiatives.

The Reserve Components are participating more frequently in our operational missions. Consequently, we have taken steps to facilitate their meeting their medical readiness requirements. Through agreements with the Department of Veterans Affairs (DVA), Reserve Component members now may obtain examinations and immunizations at DVA facilities. Both Reserve Component members and their families will be able to participate in the Department's family dental program beginning in February 2001. Finally, we have developed a dental health documentation form that will allow Reserve Component members to have their personal dentists conduct their annual dental health examinations.

Further, FHP acknowledges that the service member cannot focus on the mission at hand if he or she is concerned about the healthcare that his or her family is receiving at home. Therefore, we must have a high quality, patient-focused healthcare program to care for family members and, in turn, give confidence to our troops about their families' care.

TRICARE

TRICARE is the Department of Defense's integrated health delivery system that emphasizes improving performance and ensuring the most effective execution of the military health care mission: to ensure readiness through a fit and healthy force that is ready to fight whenever called upon; and to provide healthcare for the military family. TRICARE offers a triple-option health benefit that provides beneficiaries a choice of: TRICARE Prime, an enrolled managed care option that includes wellness and preventive services; TRICARE Extra, a preferred provider network offering discounted fees; and TRICARE Standard, a fee-for-service option, formerly known as CHAMPUS. All active duty service members are enrolled in TRICARE Prime.

TRICARE offers a comprehensive health benefit for our beneficiaries. From preventive health services, to better coordination with our civilian system, to lower out-of-pocket costs for families, we have designed and fully implemented a strong, more uniform benefit. TRICARE offers expanded access to care and reduced costs for beneficiaries and taxpayers alike.

Because health care is a key quality of life issue for our service members and their families, making TRICARE work for our beneficiaries is a very high priority for the Department. We are pleased to report that over the past year the following steps have been taken to make the program less expensive and easier for our beneficiaries to use:

- Elimination of the requirement to manually renew TRICARE Prime enrollment each year.
- Elimination of balance billing of TRICARE Prime enrollees for authorized care from non-participating providers.
- Limits on balance billing for non-institutional, non-professional providers (such as ambulance companies) for TRICARE Standard beneficiaries, significantly lowering out-of-pocket costs.
- Elimination of copayments for ancillary services associated with TRICARE Prime office visits.
- Implementation of the TRICARE Prime Remote Program to provide active duty service members with a TRICARE Prime-like benefit when stationed away from traditional sources of military health care.

A recent study on TRICARE performance concluded that in its second year TRICARE has demonstrated improved access to care, is maintaining its quality of care goals, and did not increase costs to the government or beneficiaries enrolled in TRICARE Prime. Two Federally Funded Research and Development Centers (FFRDC), the Institute for Defense Analyses and the Center for Naval Analyses independently conducted the study.

While we have taken many actions to improve TRICARE, our work is not done. Over the past year, senior Department and Service leadership have visited each TRICARE region to listen to our beneficiaries, health care providers, and military treatment facility personnel to identify areas in which we can further improve customer service and access to TRICARE. We have developed an aggressive action plan to correct problems in areas of access, enrollment, and claims processing. We are working closely with the Joint Chiefs of Staff, the members of the Defense Medical Oversight Committee (whose function is described further below), and the Services, to ensure these improvements will make TRICARE more accessible and customer-friendly, simpler, and more uniform throughout the country. The following initiatives are underway to improve TRICARE operations for our beneficiaries and providers:

Access

- Improve telephone access by implementing MTF and Contractor performance

standards
- Improve appointments by developing a standardized model
- Make our TRICARE Service Centers accessible both on-base and in the MTF
- Implement Primary Care Manager (PCM)-by-Name for all TRICARE Prime enrollees
- Implement the Portability Electronic Data Exchange (PEDE) system to streamline portability processing of TRICARE Prime enrollment between Regions
- Centralize TRICARE enrollment information through DEERS
- Develop the TRICARE National Enrollment Card
- Implement automatic enrollment in TRICARE Prime for families of E-4 and below
- Increase reimbursement rates in remote areas where they are too low

Claims Processing

- Claims Processing Cycle Times: Adoption of timeliness standards requiring 95% of claims to be processed within 30 days and 100% within 60 days. Implementation of these standards began September 1, 1999.
- Simplification of Provider Authorization: New contractors are only required to re-certify TRICARE network providers and are dependent on existing state licensing and credentialing records for all non-network providers. Implementation has been completed.
- Explanation of Returned Claims: When the contractors receive problem claims, they are returned to the provider with an explanation as to why the claim is being returned. Implementation of this change is complete.
- Third-Party Liability: Contractors will be permitted to completely process claims prior to resolution of third-party liability issues.
- Claims processing reforms: Reforms underway include increasing electronic claim submission, use of web-based claims processing, automatic adjudication, improving customer service and provider and beneficiary education, improving program-wide data quality, improving enrollment and eligibility process and enhancing fraud and abuse mitigation capabilities. Initiatives will be implemented throughout 2000.

Customer Service

- The Department has identified interim Beneficiary Counseling and Assistance Coordinators (BCAC) at all our Lead Agents and MTFs, and plan to have their roles and responsibilities formalized, including toll-free access to the Lead Agent BCACs, by mid-May 2000.

- Later this year we will have in place a single, national, toll-free number for TRICARE which will allow beneficiaries worldwide to call, get information, and get help in solving any problems they might have regarding TRICARE--from referrals to claims.

Military Health System (MHS) Optimization

As we continue to improve the delivery of health care for our beneficiaries through TRICARE, the Department faces many challenges in making the Military Health System as efficient, productive, and cost-effective as possible. In the past year we have identified policies and tools necessary for our military medical facilities to begin implementing a strategy for a High Performance Military Health System. These changes are brought together through the MHS Optimization program. The focus of MHS Optimization is to shift from providing periodic medical services to better serving our beneficiaries by preventing injuries and illness and improving health. The underlying tenets include:

- Effective use of readiness-required personnel and equipment to support the peacetime health service delivery mission.
- Equitably align resources to provide as much health service delivery as possible in the most cost-effective manner-within the MTF.
- Use the best, evidence-based clinical practices and a population health approach to ensure consistency.

Through full implementation of this plan, we will ensure adequate staffing and resourcing of the MHS. A pivotal component of the MHS Optimization Plan is an increase in MTF utilization management. MTFs continually deliver quality health care services at lower costs than civilian counterparts. The prototype for the optimization plan began in Region 11 (Oregon and Washington) in January 2000.

Optimization of the Military Health System will be more successful with the implementation of TRICARE 3.0 the new generation of the TRICARE managed care support contract. TRICARE 3.0 moves away from highly prescriptive, government-developed requirements and processes; identifies government required outcomes and invites bidders to propose their best commercial practices to meet or achieve government outcomes; reduces cost for separately designed contractor systems and practices to meet requirements unique to the government; and gives government more effective, more immediate authority to enforce performance of MCSCs in such areas as claims processing, appointments, and access standards.

TRICARE 3.0 places significant emphasis on customer satisfaction of beneficiaries as well as Lead Agents and MTF commanders. In addition to cash incentives, the contract will include a more effective mechanism for withholding payment to the contractor for failure to meet the terms of the contract. Contracted evaluators with substantial and relevant expertise in commercial managed care practices will assure that the offer ultimately selected for award truly includes best commercial practices with acceptable risk to the government. The Request for Proposals (RFP) for the next generation of contracts in TRICARE Region 11 was released on February 18, 2000.

The Military Health Care Benefit

The President's budget for Fiscal Year 2001 adds funding for two important

expansions of the TRICARE benefit that will lower out-of-pocket medical costs for service members and their families. First, the budget proposal includes $30 million to expand TRICARE Prime Remote to cover family members. In October of last year, the Department launched TRICARE Prime Remote to reduce out-of-pocket co-payments for service members living and working in areas far from Military Treatment Facilities. The President's budget proposal would extend this benefit to health care obtained by these service members' families.

The budget request also includes $50 million to eliminate co-pays for all active duty family members enrolled in TRICARE Prime when they receive care from civilian health care providers. This proposal will stop service members from having to pay out of their own pocket for health care simply because there is no appointment available for them in a military hospital or clinic.

The Department is also deeply concerned about our beneficiaries who have extraordinary or very costly medical needs. Our healthcare providers and military treatment facilities have developed dynamic case management programs to help these families identify all available resources in both the civilian and military communities. Our individual case management program, which we implemented in March 1999, now gives us an opportunity under many circumstances to provide for services, such as custodial care, that we previously were unable to provide for our former CHAMPUS-eligible beneficiaries. While we do not have a definitive projection of what this individual case management program will cost, the President's budget includes $20 million for implementation of this new benefit.

Finally, the Department is committed to doing all it can to provide health care for our retired beneficiaries, who have served our country with great honor and dignity. As the Subcommittee members are aware, the current statutory authority provides only for "space available care" in Military Treatment Facilities for military retirees who have reached age 65. The growing number of military retirees age 65 and older, infrastructure downsizing and increased TRICARE Prime enrollment has resulted in less space available care for military retirees. Secretary Cohen and the Chairman have expressed their strong commitment to expand health care access to our Medicare-eligible retirees, their spouses, and survivors. The Department is conducting several demonstration programs to test the best means to expand health care to Medicare-eligible retirees. Over 130,000 retirees are eligible to participate in these demonstrations. These demonstrations are:

- ***TRICARE Senior Prime (Medicare Subvention)***: **Over 29,000 enrollees**. This Demonstration Project is undergoing a three year test at six sites, as authorized by the Balanced Budget Act of 1997. Legislative authority expires December 31, 2000. Under TRICARE Senior Prime (TSP), DoD may receive capitated payments from Medicare Trust Funds for beneficiaries enrolling in TRICARE. We believe that TSP is a key component of keeping our health care commitments to our over-65 retirees and family members who have sacrificed so much in service to their country.

- ***FEHPB Demonstration Program***: **Approximately 70,000 eligibles.** DoD and the Office of Personnel Management (OPM) are jointly carrying out this Demonstration Project under which DoD makes contributions to the FEHBP on behalf of beneficiaries who enroll with FEHBP. Eligible persons may enroll for self-only or self-and-family coverage and may not use military facilities while enrolled. Eight sights were selected in January 1999 with marketing efforts underway in August 1999. Despite significant marketing efforts, enrollment has been very low – approximately 2,000 persons out of nearly 70,000 eligible. Because of low enrollment, DoD and OPM worked together to provide more information to beneficiaries and extend the enrollment opportunity to January and February 2000. Also, additional mailings went to all eligible beneficiaries and Town Hall meetings were conducted in each test site.

- ***TRICARE Senior Supplement Demonstration (TSSD)***: **Approximately 11,000 eligibles.** The TSSD will assess the feasibility and advisability of providing medical care coverage under the TRICARE Program as a supplement to Medicare. The Demonstration makes TRICARE second payer to Medicare. The TSSD is on target to initiate enrollment on March 1, 2000 with health care benefits beginning April 2000 and is currently scheduled to end December 31, 2002.

- ***Pharmacy Pilot Project***: **Approximately 3,000 eligibles.** Under the Pharmacy Pilot Project, eligible beneficiaries will have access to the National Mail Order Pharmacy Program (NMOP) as well as to our contractor's retail network pharmacies, with co-payments and annual enrollment fees required for participation. This pilot project includes two randomly selected sites. Enrollment will begin by June 2000 with service to begin by July 2000.

The Defense Medical Oversight Committee

The Department recognizes that the Military Health System is one of our most important programs for the morale and welfare of our personnel. Its success is critical to the success of the American military, and its responsibilities range from force health protection and readiness, to initiatives to maintain a fit and healthy force, as well as health care for over 8 million military members, dependents, and retirees.

The military health system faces many challenges as it seeks to deliver a high quality medical benefit to our active duty service members, their families, and retirees, while containing costs. Changing demographics of our beneficiary population, advances in medicine and technology, high costs of pharmaceuticals, the need to increase productivity and effectiveness of our medical facilities, and the rapidly increasing costs of health care in the United States are all major factors affecting the Military Health System. Just as the civilian health care sector wrestles with the challenges of ensuring quality, cost and access to health, so too does the Military Health System. A major difference between the two systems, however, is that the Military Health System must address each of these peacetime health care issues at the same time that it must meet its medical

readiness mission.

Last year, the Department determined that these challenges call for the creation of a new oversight structure. Accordingly, the Department established the Defense Medical Oversight Committee to oversee the coordination of medical benefits, medical budgets, and medical services.

The DMOC is chaired by a Service Vice Chief, on a rotating basis. The current Chairman of the DMOC is Admiral Donald Pilling, Vice Chief of Naval Operations, U.S. Navy. The Under Secretary of Defense for Personnel and Readiness serves as the Vice Chair of the DMOC. Other members of the DMOC are the Vice Chiefs of the Army and Air Force; the Deputy Commandant of the Marine Corps; the Under Secretaries of the Army, Navy, and Air Force; the Assistant Secretary of Defense (Health Affairs). Additional representation on the DMOC includes the Surgeons General of the Army, Navy, and Air Force; the Director for Logistics (J-4) Joint Staff; a designee of the Under Secretary of Defense, Comptroller; and the Executive Director of the TRICARE Management Activity.

The DMOC will develop recommendations on resourcing decisions for the DHP at key decision points in the program budget development process, review the allocation of resources among the Services, review individual service medical budgets to determine if efficiencies can be achieved. The DMOC may also recommend for the Secretary's consideration reprogramming or transfers that involve shifts of funds between the military health system and other elements of the Department; and review the Department's health benefit, including scope, composition, and cost.

Active participation of the senior leadership of the Department and the Services through the DMOC will enable a coordinated, long term view of the medical benefit and how to adequately resource that benefit in a rapidly changing healthcare environment, while at the same time ensuring that the readiness mission is met.

Quality in the Military Health System

Military medicine has always aimed to provide the very best, the highest quality healthcare possible. That goal continues today with our efforts toward ensuring patient safety, examining our quality programs, and gaining maximum efficiency of the Military Health System.

Since the Institute of Medicine (IOM) issued its report, *To Err Is Human,* in December 1999, the nation has expressed increased interest in patient safety. In fact the Military Health System has had a number of programs underway prior to the IOM report that serve to improve patient safety. Among them are numerous computer systems, medication bar-coding, participation in the National Patient Safety Partnership, and concerted efforts to reduce errors in high hazard environments such as Emergency Rooms and Intensive Care Units. We have joined with other federal agencies in accepting the challenge of the IOM report to do more. We participate as a member of the Quality Interagency

Task Force and use their recommendations to implement measures that will reduce errors and improve patient safety within military medicine.

Additionally, responding to congressional direction, we established the Department of Defense Healthcare Quality Initiatives Review Panel (HQIRP), to look into and report on the Military Health System quality initiatives begun in 1998. The HQIRP, which includes 5 medical professionals and 4 MHS beneficiaries, is well into its assessment of whether all reasonable measures have been taken to ensure that the Military Health System delivers health care services in accordance with consistently high professional standards. The members have met four times, attended our annual TRICARE conference, and plans to visit military medical facilities in Tidewater, Puget Sound, Albuquerque, and Quantico. In their final report to the Secretary of Defense and Congress later this spring, the HQIRP will offer their assessment, conclusions, and recommendations.

Mr. Chairman, the Department is very proud of the Military Health System, its people, and the many courageous missions they undertake. We recognize that health care is a key quality of life issue for our service members and their families, and the Department is deeply committed to do whatever is necessary to take care of our people, in both wartime and peacetime. Again, we thank you, Mr. Chairman and all the members of this Subcommittee for your continued strong support of the Military Health System.